

Section 1

Trends in the Information and Communications Industry, etc.

1. Market Size

The market value of Japan's information and communications industry reached 116 trillion yen in 2002 (a 2.7% decrease from the previous year), the first decrease since 1995. One of the reasons for this is a reduction in investment in computers and peripherals as well as wired and wireless telecommunications equipment, which was the result of a curb in capital investment by each industry. In addition, the share of the information and communications industry as a proportion of total industrial market value stood at 12.0% (a 0.2 point decrease from the previous year), decreasing for the first time since 1995 (Figure 2-1-1).

2. Amount of Added Value

The real GDP of Japan's information and communications industry reached 61 trillion yen in 2002 (a 2.0% decrease from the previous year), the first decrease since 1995. Its share of Japan's overall real GDP was 11.5%, and even though this marked the first decrease since 1995, it continues to account for more than 10% of the total. Furthermore, in contrast to an average annual growth rate in real GDP of 1.0% between 1995 and 2002 for all of Japan, the growth rate of the information and communications industry averaged 7.1%, showing an

exceptionally high growth rate for the industry.

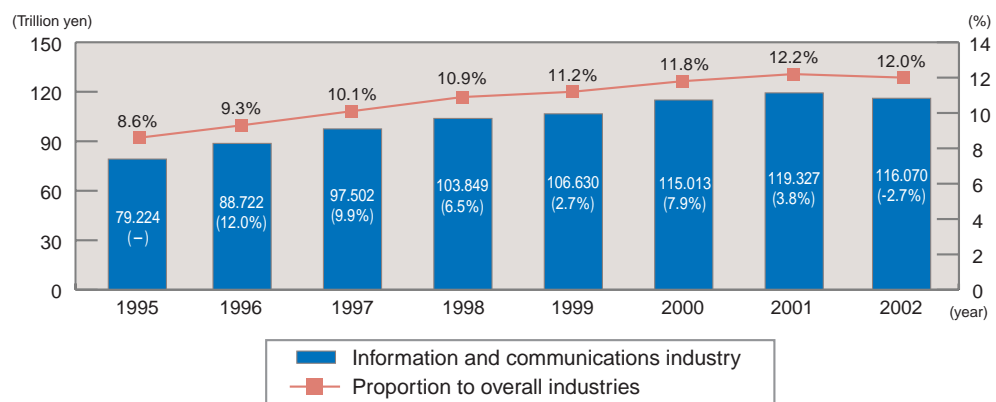
3. Employment

The number of people employed in Japan's information and communications industry in 2002 totaled 3.64 million, accounting for 6.8% of all employment. The size of the information and communications workforce continued to increase slightly from 1995 until 1999, but has declined slightly for three consecutive years since 2000. The information and communications industry was the third largest employer in Japan in 2002, after retail at 6.31 million employees, and construction at 4.96 million employees.

4. Productivity

Total factor productivity in the information and communications industry increased by 3.0% between 1995 and 2002. This shows the highest growth rate among all industries, far outpacing the 0.2% for all industries. Labor productivity for the information and communications industry stood at 16.77 million yen in 2002. Between 1995 and 2002, the information and communications industry far outpaced other industries in growth of labor productivity.

Figure 2-1-1 Transitions in the Market Size and Proportion of the Information and Communications Industry to Overall Industries



Note: The percentages in brackets indicate changes over the previous year.

Source: Survey on Economic Analysis of IT

5. Trends in IT Investment and Contribution of Information and Communications to Macro-Economy

In 2002, real IT investment by private sector companies totaled 19.5 trillion yen (a 15.4% decrease from the previous year), the first decrease since 1992. Capital stock for information and communications industry of private sector companies totaled 49.8 trillion yen (a 1.8% decrease from the previous year), the first decrease since 1993.

Between 1995 and 2002, the contribution of capital stock for information and communications was 0.98% against an economic growth rate of 1.01%. With labor contribution turning negative, the capital stock for information and communications is supporting economic growth (Figure 2-1-2).

IT Investment contributes greatly to the vitality of the information and communications industry, and it also has a major economic impact on other industries. An estimate of the ripple effect of IT investment on Japan's economy shows a induced production value of 29.5 trillion yen across industries, and employment of about 1.27 million people, greatly increasing production and employment in all industries.

6. Capital Investment

The actual value of capital investment in the communications and broadcasting industries in fiscal 2002 declined to 2.7 trillion yen (a 15.6% decrease from the previous fiscal year). Capital investment plans for fiscal 2003 were for a further decline to 2.6 trillion yen (a 2.7% decrease from the previous fiscal year).

7. Information & Communications Ventures

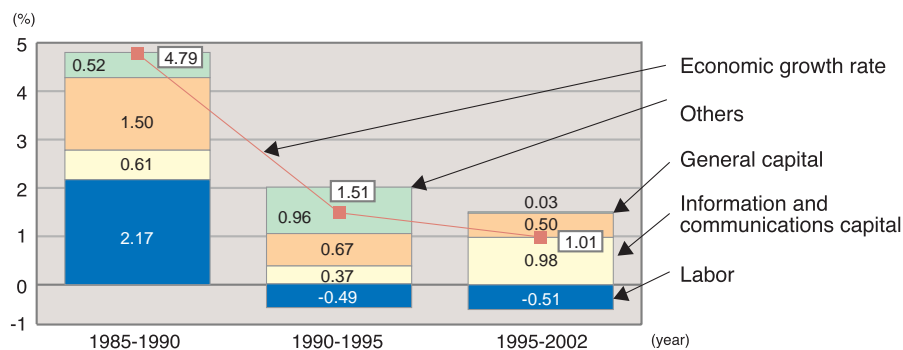
The number of ventures originating from universities, etc. in the information and communications industry totaled 157 companies in 2002, and had increased to 169 in 2003 (end of August). Information and communications companies accounted for 25.8% of ventures originating from universities, etc. (a 2.0 point decrease from the previous year). Even though there was a slight drop in ratio, information and communications continued to hold the largest share among ventures originating from universities, etc.

8. International Trade and Investment

Trends in the value of imports of IT related products into Japan by country and region show imports from China totaling 13.52 billion dollars (a 29.0% increase over the previous year), overtaking the United States at 12.37 billion dollars (a 22.1% decrease from the previous year) as the largest source of imports of IT related products into Japan.

Trends in exports of IT related products from Japan by country and region also show the value of exports to China in 2002 at 10.16 billion dollars (a 36.4% increase over the previous year), overtaking Hong Kong at 10.04 billion dollars (a 12.5% increase over the previous year) to become the second largest destination for Japanese IT related product exports.

Figure 2-1-2 Transitions in Contributions of Various Productivity Factors to Japan's Economic Growth Rate



Source: Survey on Economic Analysis of IT